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C O N F I D E N T I A L SECTION 01 OF 03 ASUNCION 001260

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SOUTHCOM FOR POLAD DAN JOHNSON
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR

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TAGS: [PGOV](#) [PREL](#) [PINR](#) [PTER](#) [KCRM](#) [PA](#) [BR](#)
SUBJECT: PARAGUAY: BRAZIL SEEKING GREATER COOPERATION ON
CRIME

Classified By: A/DCM James P. Merz for reasons 1.4 (b) and (d).

11. (C) Summary. On 10/5, Emboffs met with Brazilian Embassy Poloffs to discuss views on GOP reform efforts, particularly as they relate to efforts to combat contraband, money laundering, and other illicit activities in the Tri-Border Area (TBA). Brazilian PolCouns conveyed an interest in deepening U.S.-Brazilian cooperation on specific cases as well as openness to bringing more pressure to bear on Paraguay through the UN CTC. Brazil continues to object to the U.S. making public pronouncements regarding its concerns about terrorist financing in the TBA absent the U.S. providing evidence. Brazil's Polcouns sought to play down the controversy over FM Amorim's recent remarks criticizing Paraguayan-U.S. relations; separately, he expressed concern about "heavyhanded" GOP measures against Brazilian landowners in Paraguay. End Summary.

Brazilian-Paraguayan Cooperation on Crime Difficult

12. (C) On 10/5, Polcouns and post's Resident Enforcement Advisor (REA) met with Brazilian PolCouns Antonio Da Costa and Poloff Luis Galvao to discuss our respective efforts to combat transnational crime. Da Costa made it clear that efforts to develop joint activities with Paraguay on customs and immigration controls and even basic information sharing had not progressed significantly notwithstanding commitments made at 31 meetings. Brazilian officials did not trust their counterparts particularly in the TBA; they had shared information with Paraguay on some customs cases and the information had been compromised. Brazil remain committed to combating contraband in the TBA but saw little evidence that Paraguay shared that commitment. (Note: Notwithstanding Brazil's distrust of Paraguay's law enforcement community, Brazil has deepened cooperation with Paraguay's Anti-Drug Secretariat (SENAD) on the investigation of key drug cases,

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including one that led to Paraguay's arrest of Brazilian drug kingpin Mendes Mesquita in November of last year. End Note.)

U.S. Focus on Key Institutions, Key Cases

13. (U) Emboffs appreciated and shared Brazil's frustration. Corruption within customs remained a daunting challenge. Nevertheless, President Duarte's appointment of non-political technocrats to key offices including the Ministry of Finance, Customs, and the Tax Revenue Department offered some hope. The Embassy has focused on building trust and capacity in key agencies/offices including the Anti-Drug Secretariat (SENAD) and the Secretariat for the Prevention of Money Laundering (SEPRELAD). Last year, we had helped create and fund Paraguay's Statistics Center and a Specialized Technical Unit (UTE) to help investigate IPR violations. Presently, we are sponsoring a four-week training course in the conduct of economic crime investigations into a variety of areas such as trademarks, copymarks, piracy, tax evasion, corruption and money laundering for investigators from SENAD, SEPRELAD, UTE, the Finance Ministry, the Tax Revenue Department, and Customs. All participants had been polygraphed as were the prosecutors from the Economic Crimes Unit with whom we work on specific cases.

Towards Broader U.S.-Brazilian Cooperation

14. (C) Da Costa repeated Brazil's objections to U.S. claims that terrorist financing occurs out of the TBA, urging the U.S. to share evidence in support of these claims or desist from making them. As an example, he noted that Brazil considered Assad Barakat a criminal but not a terrorist financier. (Note: Barakat is a Brazilian citizen of Lebanese descent who was sentenced to 6 1/2 years in prison in Paraguay for a conviction for tax evasion in 2004. The U.S. has reason to believe he was involved in terrorist financing. End Note.) However, on a broader level, Da Costa agreed

Brazil shares our concern about illicit activity that takes place in the TBA, including money laundering, and made a point of requesting that Brazil and the U.S. cooperate more closely, not only in terms of coordinating to avoid duplication, but also in terms of information/intelligence sharing to advance key initiatives and the investigation of key cases, including the case of Kassem Hijazi. (Note: Hijazi is a Brazilian citizen of Lebanese descent who has been charged with tax evasion and is implicated in money laundering. The U.S. has reason to believe he has been involved in terrorist financing. End Note). Brazil had a deeper knowledge of the region and the key players but the U.S. had its own information and expertise to offer. Da Costa specifically requested that this cooperation extend to our respective customs and law enforcement officials both in Washington and Brasilia, conveying the hope that our communicating this message to both places would improve prospects for concrete follow-up.

15. (C) Aware that adoption of Paraguay's anti-money laundering (AML) legislation -- introduced to Congress in May 2004, over 16 months ago -- is a high USG priority, Da Costa also offered to consider ways Brazil could support that objective. Recalling Brazil's reticence last year to have the UN CTC draw greater attention to Paraguay's failure to adopt AML and CT legislation, Polcouns requested Brazil's support for bringing greater pressure to bear before the UN CTC. According to Da Costa, Brazil was reluctant to work through the CTC last year in view of GOP efforts to ratify the UN's counter terror conventions and its readiness to receive a team of experts from the UN CTC, UNODC, CICTE, and UNCHR. During that visit last December, Paraguay assured officials that Congress would adopt the AML law in early Spring 2005 and that President Duarte would introduce the counter terror bill immediately afterwards. Ten months later, Paraguay had done neither, yet meaningful international pressure had not been brought to bear on it. Da Costa appreciated U.S. frustration with Paraguay and conveyed GOB openness to bringing more pressure to bear upon Paraguay both through the CTC and the 3 1 mechanism.

GOP-GOB Frictions

16. (U) Brazil has come under political and public criticism in Paraguay for conveying concern about the August visit of SECDEF Rumsfeld and Paraguay's military cooperation with the U.S. as well as for warning Paraguay against pursuing a bilateral trade agreement with the U.S. In September, the Paraguayan Congress adopted a resolution rejecting Brazilian FM Amorim's remarks about U.S.-Paraguayan relations. At the same time, Paraguay's Environmental Ministry has opened an investigation into the activities of Brazilians owning large tracts of land in the Department of Alto Paraguay, in northwestern Paraguay bordering Brazil. Da Costa sought to shrug off the controversy over Brazil's criticism of Paraguay's relations with the U.S., attributing the stir to a misrepresentation of his FM's words. Instead, he focused on Paraguay's "heavyhanded" investigation of Brazilian cattle ranchers accused of violating laws pertaining to the purchase and titling of land and import of heavy machinery. He conceded some ranchers may have skirted the law or should have known better than to trust the local Paraguayan officials assisting them with legal paperwork. However, he maintained that a GOP bias against landed Brazilian interests was driving the investigation.

17. (C) Comment. Brazil's complaint about public U.S. statements regarding terrorist financing is a common refrain that we can expect to hear repeated in stronger terms in upcoming 3 1 events. If it were possible and appropriate, it would be helpful to share the intelligence that supports our concerns with the Brazilians to push back this complaint. Post welcomes closer cooperation with Brazilian law enforcement officials in Paraguay, Brasilia and Washington with a view to investigating key cases. Post's REA plans to meet more regularly with Brazilian Embassy customs and police liaisons. We similarly support strengthened cooperation with Brazilian law enforcement officials in Brasilia and Washington provided it improves prospects for concrete results. While skeptical Brazil will back up its expressed openness to bringing more pressure to bear on Paraguay before the UN CTC with action in New York, we find it encouraging Brazil appreciates our frustration and has expressed readiness to explore options in international fora including the UN and 3 1 Security Group. Post requests Department/USUN explore ways we can bring CTC pressure to bear upon Paraguay including by requesting the CTC Director seek an invitation to Paraguay to assess its progress in moving on key AML and CT legislation. End Comment.

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